



The Civil Service Superannuation Board



2008 Annual Report

For more information...

You may make an appointment to view any of the following at The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- A copy of The Civil Service Superannuation Act (Act) and all amendments
- The Annual Information Return submitted each year to the Pension Commission of Manitoba
- A copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

For further member information, visit our website www.cssb.mb.ca

The Civil Service Superannuation Board

1200-444 St. Mary Avenue
Winnipeg MB R3C 3T1

Telephone: 204-946-3200
Fax: 204-945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

Internet site: www.cssb.mb.ca
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Contents

Letters of Transmittal	2
The Civil Service Superannuation Board	
Board Members and Management	3
Standing Committee Members	4
The Civil Service Superannuation Board	5
Your Pension Plan	5
Highlights	6
Message from the Chair	7
Message from the General Manager	9
Investments	
Guidelines and Practices	11
Overview	13
Performance	14
Strategy and Outlook	18
Diversification, Growth and Stability	18
Membership	
Member Services	20
Members/Retirements	21
Paying Your Benefits	22
Employees/Former Employees	23
Employee Contributions/Employer Payments	25
Cost-of-Living Allowance	26
Funding of Pension Benefits	26
Administration and Investment Cost	28
Five-Year Comparative Statistics	29
Financial Information	
Management Report	31
Report of the Office of the Auditor General on The Civil Service Superannuation Fund	32
Financial Statements	33

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Contents

Letters of Transmittal.....	2
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The Civil Service Superannuation Board

Board Members and Management	3
Standing Committee Members	4
The Civil Service Superannuation Board	5
Your Pension Plan.....	5
Highlights.....	6
Message from the Chair.....	7
Message from the General Manager.....	9

Investments

Guidelines and Practices	11
Overview.....	13
Performance	14
Strategy and Outlook	18
Diversification, Growth and Stability	18

Membership

Member Services	20
Members/Retirements	21
Paying Your Benefits.....	22
Employees/Former Employees	23
Employee Contributions/Employer Payments.....	25
Cost-of-Living Allowance	26
Funding of Pension Benefits	26
Administration and Investment Cost	28
Five-Year Comparative Statistics	29

Financial Information

Management Report.....	31
Report of the Office of the Auditor General on The Civil Service Superannuation Fund.....	32
Financial Statements	33

Letters of Transmittal



MINISTER OF
FINANCE
Legislative Building
Winnipeg, Manitoba R3C 0V8
R3C 0V8

MINISTRE DES
FINANCES
Bâtiment législatif
Winnipeg (Manitoba) R3C 0V8
R3C 0V8

June 5, 2009

His Honour the Honourable John Harvard, P.C. O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 70th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2008.

Respectfully submitted,

Honourable Greg Selinger
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act



The Civil Service Superannuation Board

1-800-444-2211 (Toll Free)
Winnipeg, MB R3C 0V8
CANADA
Phone: (204) 940-5211
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E-mail: info@cssb.ca

June 3, 2009

Honourable Greg Selinger
Minister of Finance,
Minister Responsible for The Civil Service Superannuation Act

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 70th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2008 to December 31, 2008 and includes a review of the Board's activities for that period as well as the Report of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

Al Morin, Chair
The Civil Service Superannuation Board

Board Members and Management (as at December 31, 2008)

The Civil Service Superannuation Board

Chair

Al Morin

President and Chief Executive Officer
Assiniboine Credit Union

Employee Representatives

Ray Erb

Civil Service Representative
Manitoba Government and General
Employees' Union
Retired

Monica Girouard

Civil Service Representative
Manitoba Government and General
Employees' Union

Chris Kowalski*

Civil Service Representative
Manitoba Securities Commission
Retired

Ryan Wiebe

Manitoba Hydro Representative
Manitoba Hydro-Electric Board

Employer Representatives

Gabriel Forest, f.c.a.

Chartered Accountant

Carmelee Peter

Solicitor
Aikins, Macaulay & Thorvaldson LLP

Dr. G. Les E. Ulliyot

Retired Family Physician

Merv Worden

Actuary
Worden Actuarial & Benefits Consulting Ltd.

* Chris Kowalski replaced Wayne Andon who passed away on November 23, 2008.

Management

Bruce Schroeder

General Manager

Allen Borle,

Director, Finance and Investment Communications & Management Services

Robert Derksen,

Director, Communications and Client Services

Dawn Prokopowich,

Director, Client Services Administration

Robert Riddell,

Director, Management Information Systems

Lindsey Fuller, CFA,

Chief Investment Officer

Ellement and Ellement,

Consulting Actuary

Standing Committee Members (as at December 31, 2008)

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

Chair

Peter G. Munro*

Executive Vice-President and Chief Investment Officer
The Great-West Life Assurance Company

Dick Archer*

Retired, Executive Vice-President Investments,
IGM Financial Inc.

Richard Brownscombe*

President, Montrose Mortgage Corporation
Ltd.

Charlie Curtis*

Retired, Deputy Minister of Finance,
Province of Manitoba

Ray Erb^

Civil Service Representative

Diane Gray^

Deputy Minister of Finance,
Province of Manitoba

Al Morin^

Chair,
The Civil Service Superannuation Board

Bruce Schroeder^

General Manager,
The Civil Service Superannuation Board

Stan Susinski*

Retired, Chief Investment Officer,
Alberta Finance

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

Vince Warden

Vice-President, Finance and Administration,
CFO,
Manitoba Hydro-Electric Board

* Appointed based on investment expertise

^ Required by legislation

Finance and Audit Committee

Chair

Gabriel Forest, f.c.a.
Employer Representative

Monica Girouard
Employee Representative

Carmelee Peter
Employer Representative

Governance Committee

Chair

Merv Worden
Employer Representative

Ryan Wiebe
Employee Representative

Vacant

Compensation Committee

Chair

Ray Erb
Employee Representative

Dr. G. Les E. Uliyot
Employer Representative

Vacant

The Civil Service Superannuation Board

The Board has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all Plan members and beneficiaries. It is also responsible to:

- Ensure that staff fulfil the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- Delegate the day-to-day management to the General Manager and staff
- Provide overall direction and approval of policy items

These duties are vested in four members that are elected by participating employees and five members including a chair that are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to:

- Manage The Civil Service Superannuation Fund (Fund) in accordance with the rules of the Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- Obtain an actuarial valuation every three years
- Regularly review its investment policy
- Obtain an independent audit each year
- Prepare an Annual Report

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of approximately 50 staff members.

Your Pension Plan

Your Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. While some employers presently match (to the extent required by legislation) employee contributions, others are obligated to fund their share of benefits paid in the future.

The amount of pension a member will receive is not directly related to investment returns. Good investment returns are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

Your Plan allows for retirement after age 55 if the member has at least ten years of qualifying service. Unless the person is age 60 or older, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive a pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

Highlights

		2008 (*)	2007 (*)
Financial	Rate of Return on Investments	(17.04)%	3.91%
	Investments at Market Value	3,302,963	3,973,775
	Net Investment Income	232,185	128,026
	Current Period Change in Fair Value of Investments	(847,430)	(3,366)
	Employee Contributions	98,635	92,374
	Employer Payments	133,991	122,480
	The Province of Manitoba Unfunded Pension Liability Trust Account	332,365	330,740
	Pension Payments	250,532	230,630
	Refunds and Transfers	33,367	29,692
	General Expenses - Net	1,342	1,556
* \$Thousands unless otherwise noted			
Membership		2008	2007
	Non-Retired Members	31,002	30,296
	Retired Members and Other Recipients	15,450	14,812
	Total Members	46,452	45,108
Other Plans Under Administration	Manitoba Telecom Services Inc.^	6,455	6,369
	Money Purchase Accounts Plan	1,798	1,670
	Centra Gas^	835	851
	Winnipeg Child and Family Services^	337	366
	MLA's^	117	119
	Legislative Assembly Pension Plan	63	64
	Total Membership (all Plans)	56,057	54,547
^ Active and Retired			

Message from the Chair

AL MORIN

What effect will the downturn in the investment markets and the current economic conditions have on my pension? This is a prudent question given the economic doom and gloom that greets us every time we pick up a newspaper, turn on the radio or watch the evening news. I would like to briefly touch on a few specific areas that I hope will help to alleviate some of your concerns.

Firstly, let me assure you that The Civil Service Superannuation Fund (the Fund) has been around since 1939. Historically, markets have fluctuated over the years and despite this, we are still here, still providing pension benefits. We have never been in a position where benefits have had to be reduced due to an adverse financial position of the Fund.

Your Plan is a defined benefit plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary.

Although investment returns are not directly related to the amount of pension a member will receive, good investment returns contribute to the continued health of the Plan and in securing the ability to continue to meet its current and future obligations to pay benefits. A pension is a long-term investment and will inevitably have its ups and downs over the course of many years. Although it would be ideal to have positive returns every year, we certainly do not operate under such unrealistic expectations. We understand that there will be trying years and this is taken into consideration through our planning and forecasting processes. Ultimately, the success of the Fund's investment performance is measured by how it meets the long-term obligations to its members.

Investment decisions are guided by the Fund's Statement of Investment Policies and Procedures (SIP&P), which is established

by the Board and reviewed annually. The SIP&P includes parameters such as asset mix, investment quality, holding limits, investment objectives, valuation procedures and the investment manager structure. The policy helps determine the proper allocation of investments to ensure the long-term financial stability of the Fund by establishing a normal or standard asset mix. The asset mix is perhaps the most important determinant of pension fund performance. When making investment decisions, it is important to take different risk elements relating to market volatility and potential returns into consideration. Diversification of the Fund's various asset classes such as short-term investments, bonds and debentures, and equities, as well as diversifying across the world's economic regions helps reduce the impact of volatility in the financial markets.

While I acknowledge that investment performance is an important factor in being able to meet our financial obligations, I think it is important to know what measures are in place to deal with years that investment experience is unfavourable. The Civil Service Superannuation Act requires that an Actuarial Valuation Report on the financial position of the Fund be conducted at least every three years. The purpose of the Valuation is to determine the financial position of the Fund as at the valuation date and to determine the adequacy of the contributions being made in relation to the benefits being financed. This detailed report establishes estimated actuarial requirements for investment returns considered necessary to be able to continue to finance the Fund's future liabilities. Years that produce surpluses can result in benefit improvements and typically involve setting aside reserves to help offset years of poorer investment performance. The most recent valuation was performed as at December 31, 2007. By the time the report was completed and released later in 2008, it was already evident that unfavourable investment experience was developing for 2008. This is

significant as the Actuarial Valuation Report provides recommendations for potential future courses of action based on the financial position revealed. Due to the timing of the release of the report, we were in a good position to make some recommendations to help address the current economic conditions.

In closing, I want to assure you that although lower investment returns can affect the Fund, it does not directly impact your pension benefit. There are safeguards in place such as the SIP&P and the Actuarial Valuations to help ensure The Civil Service Superannuation Fund is prepared for and able to react and adjust to economic

conditions so we can continue to meet the current and future financial commitments to our membership. While my first year as Chair of The Civil Service Superannuation Board has not been without its challenges, I am confident that we will weather this period of economic uncertainty and the markets will rebound. I have inherited a very experienced and dedicated staff committed to our long-term objective of growth and stability and continuing to provide our membership with quality benefits administration.



Message from the General Manager

BRUCE SCHROEDER

Market turmoil defined the pension plan landscape in 2008. The past year will be remembered as one of the worst years for world financial markets in history. Our Fund was not immune to the downturn in the markets. Although we maintained a well diversified portfolio, there was quite literally no place to invest in 2008 that would not have been affected by the market downturn. The rate of return for The Civil Service Superannuation Fund (CSSF) was (17.04)% which was less than our benchmark of (14.44)%. We were not alone in our negative rate of return as the median return for large Canadian pension funds in 2008, those with assets over \$1 billion, was (18.40)%. Although the last two years of investment returns have not been optimal, your pension remains secure. The latest Actuarial Valuation of the CSSF at December 31, 2007 revealed an amount in excess of liabilities of \$265 million on a going concern basis. The Civil Service Superannuation Board (Board) elected to add this amount to the existing investment reserve of \$110 million resulting in a total investment reserve of \$375 million. This reserve will assist in reducing the impact of the adverse investment returns and help provide stability going forward.

Given the market conditions over the last twelve months, members may be concerned with the stability of the plan benefits. I would like to address these concerns by explaining how the CSSF works. A common misconception about the CSSF is that it is similar to a Registered Retirement Savings Plan (RRSP) or a Defined Contribution (DC Plan) type of plan. In an RRSP or DC Plan, contributions and investment returns are used to determine the amount of retirement income. The CSSF is a defined benefit plan which determines pension benefits based on a set formula. The CSSF's formula uses the average of the best five years of earnings and the number of years of service while a member of the plan multiplied by a set percentage. The result of this formula then determines the monthly benefit entitlement. There is no direct link between the benefit entitlement, investment returns, or contributions made to the plan. In our plan we have the advantage of time. The CSSF operates under a long investment horizon giving the Board the opportunity to work toward generating investment returns that are positive and exceed the actuarially required rate. Since the Board looks at results and makes decisions assuming an indefinite time horizon, we are able to absorb market shocks like

those experienced in 2008 by reacting to poor returns in a measured and well thought out manner.

In 2009 we plan to do an Asset Allocation Review. The review, done with the assistance of independent external consultants, is completed every four to five years with the last study being done in 2005. The purpose of doing a periodic review is to determine if a change in asset mix is required based on current and expected future market conditions. It will also take into account any changes to the plan since the last review. The review will provide the Board with a framework to help determine the appropriate asset mix required to sustain benefits into the future.

Our nerve centre and strength is our computer system and programs. We rely on our systems to provide members with pension payments and information. In 2008 we have taken additional steps to mitigate the inherent risk associated with relying on technology to provide pension payments. We have developed a recovery process which will allow us to use the facilities at IBM in Toronto to continue to provide critical services for an unforeseen event such as a prolonged power outage in our building or a failure of our mainframe computer for an extended period. In 2008 staff tested the process for recovery by running our required procedures from the IBM office in Toronto and the results were excellent. In the coming year staff will test the process from IBM's Winnipeg office which will further enhance our ability to respond to an unforeseen event quickly with minimal disruption. We also continue to enhance and further develop our recovery processes for less critical functions and are working towards having a framework in place by the end of 2009.

Securing the pension promise in the current environment is no easy task but our plan is designed for the long-term and we are confident the CSSF can weather the current economic turbulence and continue to meet the pension promise.

I would like to thank the Board and staff for their continued diligence and hard work in 2008 and look forward to a more stable 2009.





Investments

Guidelines and Practices

Policies and Procedures

The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision-making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into effect and is monitored for compliance. The SIP&P includes such things as appropriate asset mix limits, investment grade quality, holding limits, investment objectives, valuation procedures and investment management structure.

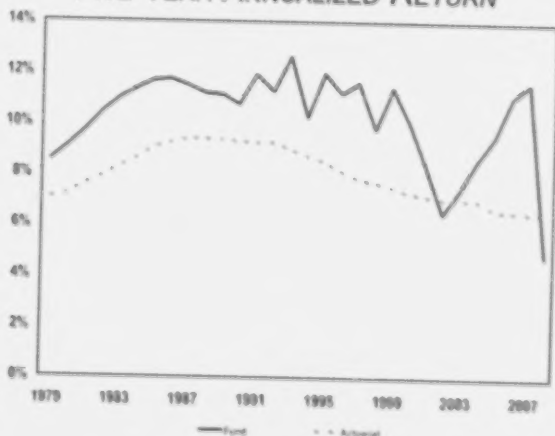
Asset mix is the single most important factor in determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions.

Long-term Success of Investment Policy

The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members. An Actuarial Valuation on the Fund is the best way to measure this obligation. Except for the periods ending in 2002 and 2008, the Fund's five-year moving rate of return has exceeded actuarial requirements consistently over the past 30 years. Both periods experienced poor equity markets. Should equity markets attain their historical levels of performance, Fund returns should move back above the actuarial rate of return. Pension fund rates of return are sometimes measured in five-year periods to emphasize longer-term trends which are more relevant to pension funding, rather than short-term volatility. The following chart compares the Fund's five-year moving rate of return and the actuarially required rate (converted from three-year rates to five-year moving rates for comparison).

"The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members."

FIVE-YEAR ANNUALIZED RETURN



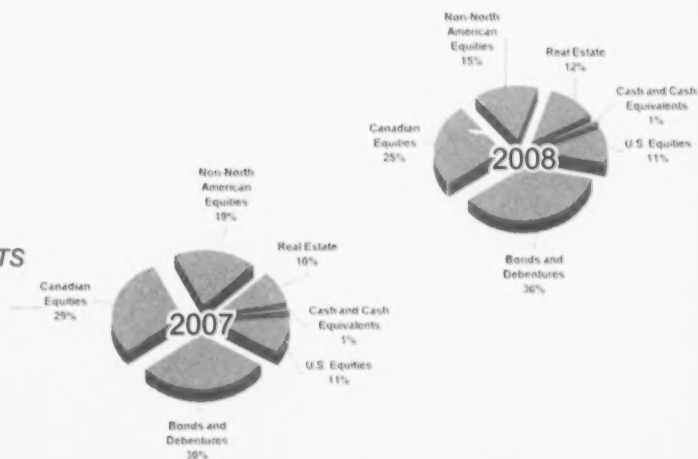
Governance

The Board and sub-committees regularly receive management-certified compliance reports and informational material to assist with oversight requirements. In addition, the Board reviews and formally approves the minutes of all sub-committee meetings.

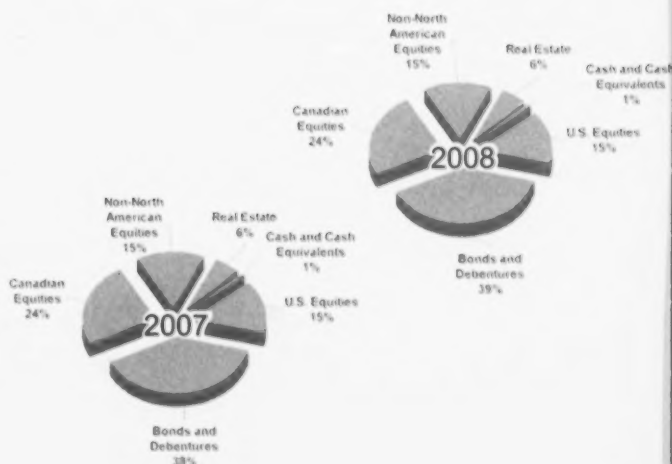
Policies and procedures that continue to guide or impact investment decisions include:

- Statement of Investment Policies and Procedures
- Investment Manager Mandates
- Proxy Voting Policy and Guidelines

FUND INVESTMENTS



INVESTMENT POLICY NORMAL ALLOCATION



Overview

The year experienced a once in a generation, or longer, confluence of events that produced extremely volatile moves in both equity and bond markets. Several years of aggressive lending over a wide range of financial instruments finally began to unravel as increasing numbers of borrowers experienced trouble meeting their obligations. The extent of the leverage built into the financial system, focused in the U.S. and Europe, was far greater than most market participants understood. The result was that significant components of the financial markets effectively ceased to function and numerous financial institutions worldwide suffered significant losses. The defining moment occurred when Lehman Brothers, one of the largest U.S. investment banks, was unable to meet its obligations and was put into bankruptcy. For the financial markets, this was similar to the economic shock coinciding with the first oil price crisis in 1972. OPEC's supply constraints and price increases severely affected the economies of the developed countries and resulted in massive dislocations to economies worldwide. It took the better part of a decade for the world economy to restructure and become more efficient. High inflation also took a toll.

In the current environment, the availability of credit resulting from upheavals in the financial system has been a shock to the relatively smooth running of world trade and economic growth, not dissimilar to the oil price shock. It will take some years to work through the financial excesses built up over the past decade.

Commodities continued to catch the headlines. In addition to record high oil and coal prices, agricultural commodity prices also increased significantly. This general strength in commodity prices peaked out at mid-year and prices fell back across the board. Oil, for example, peaked at \$145 U.S. per barrel and closed the year at \$53, having traded down to the low \$40 range. With the general collapse in economic growth worldwide, inflation is unlikely to be an issue near-term, but will likely be a real concern at some point in the

future when world economic growth returns to more normal levels. Withdrawing the massive stimulus measures enacted by governments worldwide will be very challenging.

The Fund return was negative for the first time, returning (17.04)%, which is down considerably from the 2007 return of 3.91%. Equity exposure, in any market, resulted in negative returns. Emerging markets, which were not very exposed to the toxic financial assets causing the problems, and consequently had more or less normally functioning banking systems, saw their equity markets catch up to the developed markets on the downside over the last quarter of the year as investors became very risk averse. Emerging markets began outperforming the developed markets again beginning in late November 2008.

The Fund underperformed its investment policy return of (14.44)% by 260 basis points. The main contributors to this underperformance were an overweight position in equities, as well as some financial holdings in the bond market portfolio which suffered in the stressed financial environment. Positive contributions came from real estate returns at 1.79% and short-term investments at 3.44%.

Despite the unfavourable return on equities in 2008, the Fund will continue to hold a significant portion of its investments in this asset class, as they present the prospect of higher returns going forward, especially given the very low levels of interest rates, attractive valuations and depressed market levels at this time. A fully invested position in bonds, especially at current interest rate levels, will not provide adequate returns to meet the Fund's long-term liabilities. The long-term investment policy attempts to balance risks and rewards associated with the various asset classes in which the Fund invests.

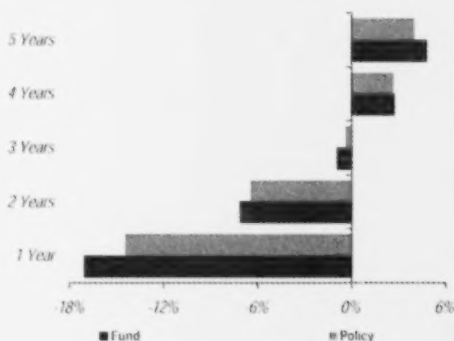
Performance

Calculation Methodology

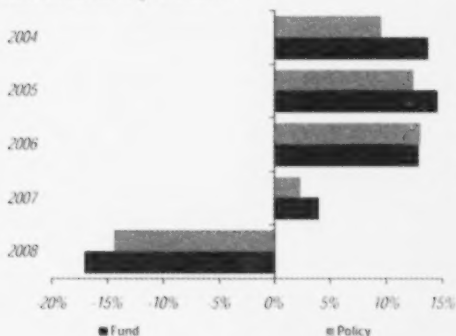
The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the Chartered Financial Analyst Institute.

Total Fund

The Fund return of (17.04)% versus the investment policy return of (14.44)%, served to lower the five year returns to 4.83% versus a benchmark of 4.01%. While this longer-term return is below the actuarial assumption of 6.50%, extremely low returns such as those experienced in 2008 are most often followed by returns more in line with longer-term averages. We expect future returns will move the Fund's experience back to or above the longer-term actuarial expectations.

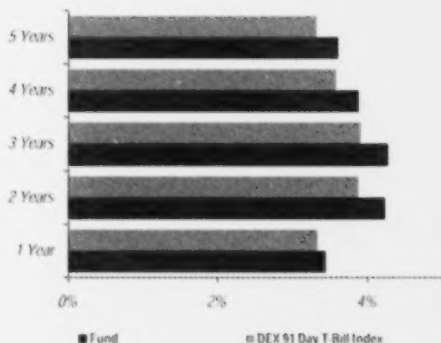


The graph above illustrates the outperformance of the annualized return over the Fund policy over the past five years. The graph to the left shows each individual year's performance.



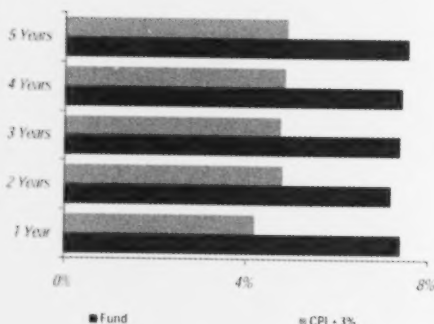
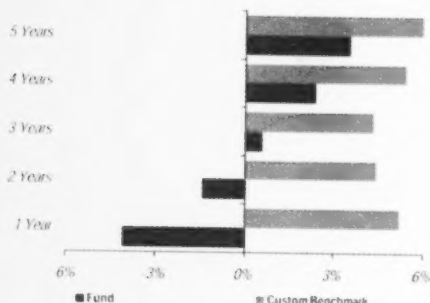
Cash and Cash Equivalents

The money market portion of the Fund generated a return of 3.44%, which resulted in an 11 basis points (bps) outperformance over the DEX 91 Day T-Bill Index.



Bonds and Debentures

The bond portfolio underperformed significantly during the year, returning (4.09)% versus the 5.21% benchmark. This underperformance was due to an overweighting of Maple bonds, illiquid corporate bonds and structured bonds, all of which suffered badly producing the perfect storm of underperformance.



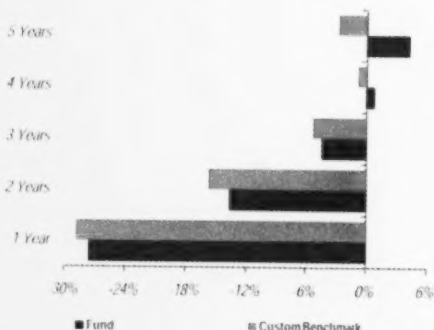
Real Return

Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 7.39% in 2008 compared to its benchmark of 4.20%.

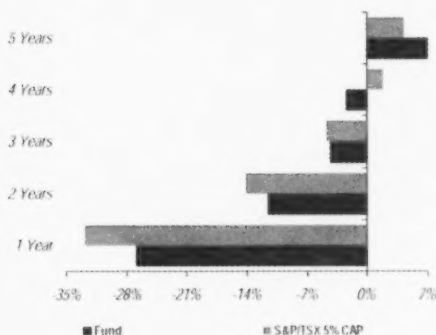
Total Equity

The indices used to measure the performance of the Fund's stock portfolio are Canada's S&P/TSX 5% Capped Index (S&P/TSX 5% Cap), the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index for Europe, Australia and Far East (MSCI EAFE). Based on the Fund's SIP&P, an assumed equity mix of 24% Canadian, 15% U.S. and 15% EAFE countries for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 44% Canadian, 28% U.S. and 28% EAFE countries. This is referred to as the benchmark for total equities.

Virtually all the equity markets we invested in were perfectly correlated - to the downside. Emerging markets, an area where the Fund has added significant value over the years, outperformed the developed markets again, until September. With the fall of Lehman Brothers in mid September, investors became very risk averse and many either took money out of equity markets or scaled back their exposure. As emerging markets had performed relatively well up to that point, they were a prime target for raising liquidity.



Total Canadian equities generated a (26.90)% return versus the (32.92)% benchmark. U.S. equities returned (20.49)% versus the (21.92)% benchmark. Non-North American equities delivered (32.84)% versus the (29.83)% benchmark. This underperformance was dominated by our emerging market positions, reversing some of the previous years' outperformance.



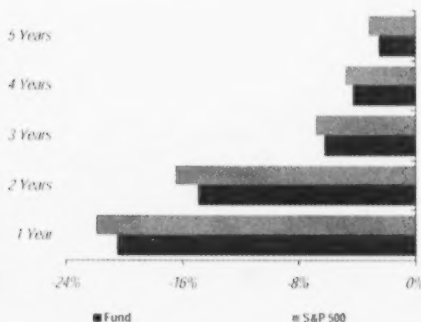
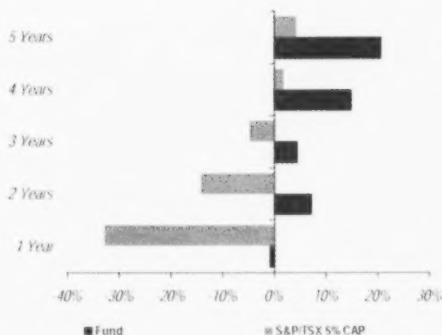
Canadian Equity

The Fund's Canadian Equity investments outperformed the benchmark returning (26.90)% versus (32.92)%. The value style employed preserved more capital than the index as a whole. Superman Resources made one of the few positive contributions delivering 3.46%.

Private Equity

Superman Resources Inc., in addition to generating a 3.46% return, added additional reserves in excess of those produced during the year. Further exploration and development of our properties is ongoing and we expect further reserves to be added.

We have participated in two private equity funds, one focused on Manitoba based investments and the other with a Manitoba based investment team. Both funds have been successful in originating a strong flow of investments over the years.

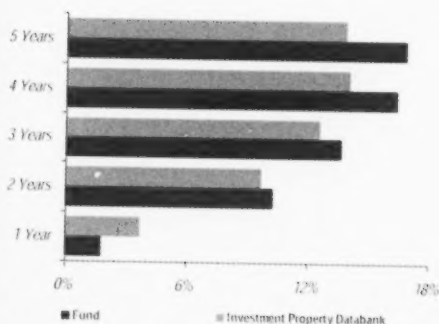
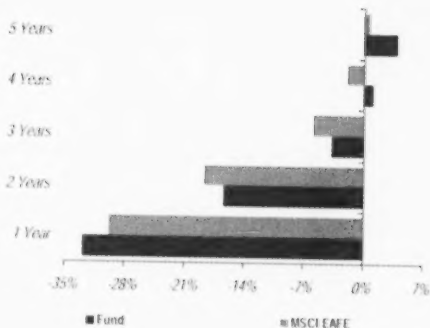


U.S. Equity

The Fund's internal team outperformed the benchmark by 83 basis points, (21.09)% versus (21.92)%.

Non-North American Equity

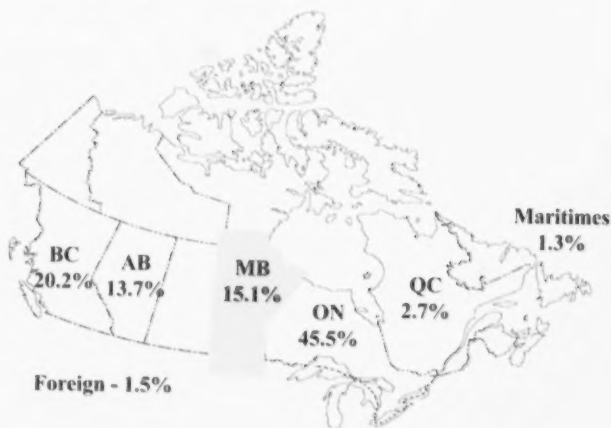
The Fund's international equity investments underperformed the overall benchmark, (32.84)% versus (29.83)% due to the bias toward emerging markets. All of the Fund managers but one outperformed their respective benchmarks. Since the end of November, emerging markets have once again shown significant outperformance over the developed markets and the Fund has continued to overweight this area.



Real Estate

Real estate delivered a positive return of 1.79%, but was below the benchmark of 3.70%. The Fund's holdings are valued annually and we anticipate our investments will retain value better than the benchmark during 2009. Development on our first international investment, a residential development in Tokyo was completed on time and on budget in November 2008.

DISTRIBUTION BY GEOGRAPHIC LOCATION



Strategy and Outlook

We anticipate a prolonged period of instability in world economies and markets. Volatility is not inherently negative as many opportunities are created and the Fund's management will endeavour to take advantage of some of these opportunities. Many of the larger emerging economies are better positioned than most of the developed economies, as their banking systems have generally been relatively unaffected by the financial crisis. Their banking systems are still functioning well, and, particularly in China's case, fiscal and monetary stimulus has been well targeted and delivered quickly. We expect the Fund's investments in emerging markets will add value over developed markets going forward.

Canadian bond yields are very low by historical standards and there does not appear to be much potential to add value from these levels. Corporate bonds, however, still offer attractive yields as the costs of credit risk and illiquidity have been re-priced sharply upward over the last year. A return to more normal conditions in financial markets, while still in progress, should enhance the value of some of our illiquid investments that were valued very conservatively in 2008. We do have concerns about the longer run inflationary impact of the many large fiscal and monetary stimulus measures that have been enacted to stem the financial crisis over the short-term.

Diversification, Growth and Stability

Fund Investments

	2008 (*)	2007 (*)
Contractual Investments		
Cash and Short-term	17,019	34,985
Bonds and Debentures	1,161,254	1,190,472
Mortgages	35,292	37,846

Equity Investments

Canadian Equities	823,530	1,147,945
U.S. Equities	364,636	417,340
Non-North American Equities	511,407	758,188
Real Estate	389,825	386,999
Total Investments	3,302,963	3,973,775

* \$Thousands



Membership

Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

1. Individual Meetings

Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Laptop computers and the Internet allow for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Pre-Retirement Planning Seminars

The pre-retirement planning seminar program is a one day session designed for employees who are beginning to plan for retirement. They are presented in major centres throughout Manitoba for groups of 15 to 50 people, and members are encouraged to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board.

3. Employee Pension and Insurance Seminars

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the Government and its related boards, commissions, and agencies, and last for two to three hours.

4. Personal and General Inquiries

Board staff are available to answer questions by way of phone and written communication.

5. Electronic Communications

The Board has a website and online services, allowing members to view general information and obtain detailed personalized information at their convenience.

Highly qualified staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

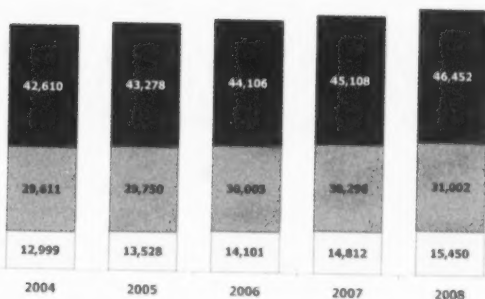
We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

Members/Retirements

- Total members increased by 1,344 to 46,452 during 2008
- Employees/former employees participating in the Fund increased by 706 to 31,002
- Pensioners/beneficiaries increased by 638 to 15,450

TOTAL MEMBERS

□ Pensioners ■ Employees ■ Total Members



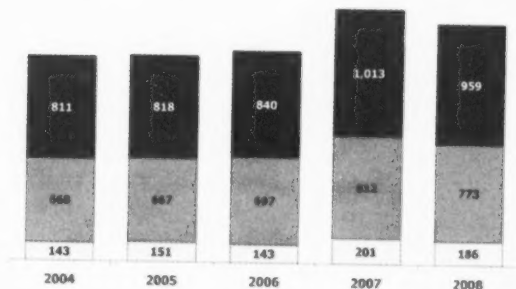
Fund Fact

Total Membership has increased 9% since 2004 with the number of pensioners increasing 19% during the same period.

RETIREMENTS

□ Age 65 and Disability ■ Pre-Age 65 ■ Total

Fund Fact
Other than a slight bump in retirements in 2007, the Fund has seen a gradual increase in the number of retirements from year-to-year.

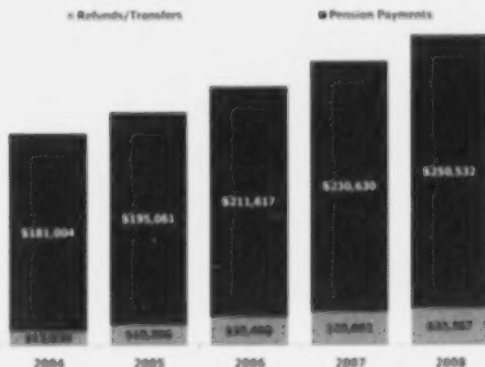


Paying Your Benefits

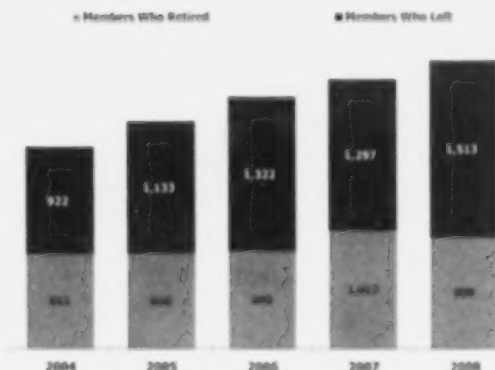
- 15,450 pensioners/beneficiaries were receiving pension benefits at the end of 2008
- \$250.5 million was paid in pensions

PAYMENTS FROM THE FUND (THOUSANDS)

Fund Fact
Annual pension payments have increased 38% since 2004 while refunds and transfers increased 158% during the same period.



FORMER CONTRIBUTORS



Fund Fact
Following a decrease in the number of total transfers in 2007, last year saw the highest in over 10 years.

Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2008 was as follows:

Non-Matching Employers	Males	Females	Total
Province of Manitoba Civil Service	6,747	7,798	14,545
Manitoba Hydro-Electric Board	4,113	1,371	5,484
Manitoba Public Insurance	788	1,064	1,852
Red River College	573	616	1,189
Liquor Control Commission	320	288	608
Addictions Foundation of Manitoba	84	220	304
Assiniboine Community College	126	176	302
University College of The North	108	158	266
The Legal Aid Services Society of Manitoba	38	84	122
Manitoba Centennial Centre Corporation	37	17	54
Diagnostic Services of Manitoba	8	23	31
Teachers' Retirement Allowances Fund Board	9	22	31
Communities Economic Development Fund	9	4	13
The Council on Post-Secondary Education	5	6	11
Manitoba Horse Racing Commission	4	2	6
Regional Health Authorities			
Winnipeg	17	177	194
Brandon	44	146	190
Assiniboine	6	75	81
Interlake	6	56	62
Central	2	51	53
Parkland	7	30	37
South Eastman	3	25	28
Nor-Man	0	20	20
North Eastman	1	13	14
Burntwood	1	9	10
Total Non-Matching	13,056	12,451	25,507

Matching Employers	Males	Females	Total
Manitoba Lotteries Corporation	621	540	1,161
Manitoba Housing Authority	189	139	328
Manitoba Agricultural Services Corporation	73	88	161
Manitoba Crop Insurance Corporation	102	11	113
Manitoba Government and General Employees Union	34	42	76
Manitoba Hydro Utilities Service	61	13	74
Child and Family All Nations Coordinated Network Inc.	12	61	73
Gaming Control Commission	26	26	52
The Civil Service Superannuation Board	25	24	49
Travel Manitoba	11	23	34
Food Development Centre	13	19	32
Manitoba Floodway Expansion Authority Inc.	14	12	26
Dairy Farmers of Manitoba	6	15	21
Industrial Technology Centre	14	6	20
Manitoba Pork Marketing Co-op Inc.	9	4	13
Manitoba Film and Sound Recording Development Corporation	3	8	11
Manitoba Pork Council	3	5	8
Manitoba Arts Council	0	7	7
Crown Corporations Council	2	3	5
Manitoba Chicken Producer Board	1	4	5
Sport Manitoba	4	1	5
Manitoba Cattle Enhancement Council	0	3	3
Paletta & Company Hotels	3	0	3
Venture Manitoba Tours Ltd.	3	0	3
Manitoba Turkey Producers	2	0	2
Economic Innovation and Technology Council	0	1	1
Total Matching	1,231	1,055	2,286
Other	Males	Females	Total
Deferred Pension Accounts	1,339	1,567	2,906
L.T.D. Recipients	45	111	156
Manitoba Reciprocal Agreements	87	60	147
Total Other	1,471	1,738	3,209
Total (Non-Matching, Matching, Other)	15,758	15,244	31,002

Employee Contributions/Employer Payments

- Employees contributed \$98.6 million to the Fund compared to \$92.4 million in 2007
- Employers paid \$134.0 million to the Fund compared to \$122.5 million in 2007
- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

CONTRIBUTIONS AND PAYMENTS (MILLIONS)



Fund Fact
Total contributions and payments by employees and employers has increased 39% since 2004.

Employees and Employers share the cost of the plan. Each year employees contribute the following:

- 6% on earnings up to Canada Pension Plan maximum earnings (\$44,900 in 2008)
- 7% on earnings in excess of that amount

Employer payments include:

- Approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- Payments made by matching employers

Cost-of-Living Allowance

- 10.2% of employee contributions and matching employer payments go to a separate indexing account to fund cost-of-living increases (COLA)
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of $\frac{1}{3}$ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2008 was 1.59%

Cost-of-Living Account

The Board has been advised that the transfer of the indexing reserve of \$145 million from the Basic plan to the COLA Program is currently awaiting legislative approval.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- Investment income
- Employee contributions
- Employer payments

These assets are used to finance the payment of the Fund's portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. Basic Benefits Account

- Finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account

- Has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
- 10.2% of employee contributions and matching employer payments are credited annually to this account

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to $\frac{1}{3}$ of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2008 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	2,872,172		
Indexing Benefits Account	181,214	See Note Below	
Total	3,053,386		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (including future benefits)	3,053,575	2,451,936	5,505,511
Indexing Benefits Account	144,915	140,330	285,245
Total	3,198,490	2,592,266	5,790,756
3. Actuarial Position/Funds Available			
Basic Benefits Account	(181,403)		
Indexing Benefits Account (funds available to finance future adjustments)	36,299	See Note Below	
Total	(145,104)		

* \$Thousands

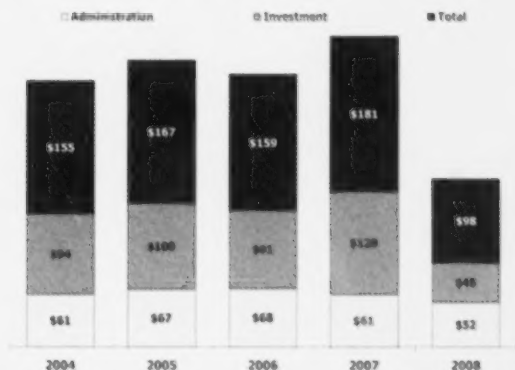
Refer to Notes 6 and 7 of the Audited Consolidated Financial Statements for additional information.

Note: The non-matching employer's portion of the pension liability is unfunded for most employers. Refer to Schedule 2 of the Audited Consolidated Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans. The total annual cost per member for 2008 was \$98 consisting of \$52 for administration and \$46 for investment related expenses.

ANNUAL COST PER MEMBER



Fund Fact

The decrease in investment costs is mainly due to an increase in securities lending revenue. Lower external investment management fees as a result of the market downturn and an increase in the number of internally managed assets also contributed.

Five-Year Comparative Statistics

		2004 (*)	2005 (*)	2006 (*)	2007 (*)	2008 (*)
Investments	Rate of Return	13.71%	14.50%	12.85%	3.91%	(17.04)%
	Market Value	2,946,144	3,384,202	3,836,359	3,973,775	3,302,963
Contributions and Payments	Employee Contributions	77,755	90,885	100,844	92,374	98,635
	Employer Payments	89,725	100,715	111,803	122,480	133,991
	Total	167,480	191,600	212,647	214,854	232,626
Payments from the Fund	Pension Benefits Paid	181,004	195,061	211,617	230,630	250,532
	Refunds and Transfers	12,930	18,306	25,490	29,692	33,367
Expenses	Administrative, net before recoveries from non-matching employers	2,600	2,888	2,980	2,737	2,452
	Investment, net	4,019	4,312	4,035	5,459	2,152
* \$Thousands unless otherwise noted						
Membership		2004	2005	2006	2007	2008
	Non-Retired Members	29,611	29,750	30,005	30,296	31,002
	Pensioners and Other Recipients	12,999	13,528	14,101	14,812	15,450
	Total Members	42,610	43,278	44,106	45,108	46,452
	Refunded/Transferred Members	922	1,133	1,322	1,297	1,513
	Retirements	811	818	840	1,013	959

Financial Information

Management Report

The accompanying consolidated financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting policies, as stated in the notes to the consolidated financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to April 8, 2009.

The firm of Ellement and Ellement has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual consolidated financial statements.

The Auditor General performs an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the consolidated financial statements.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the consolidated financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the consolidated financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,



Bruce Schroeder
General Manager



Allen Borle
Director, Finance

Report of the Office of the Auditor General on The Civil Service Superannuation Fund



AUDITOR'S REPORT

To the Legislative Assembly of Manitoba and
To the Board of the Civil Service Superannuation Fund

We have audited the consolidated statement of net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2008 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by

Winnipeg, Manitoba
April 8, 2009

Carol Bellringer, FCA, MBA
Auditor General

Exhibit A - The Civil Service Superannuation Fund

Consolidated Statement of Net Assets Available for Benefits

as at December 31, 2008

	2008	2007
(\$) Thousands		
Assets		
Investments, Schedule 1, Notes 3(b) and 5	\$3,302,963	\$3,973,775
Equipment	85	134
Prepaid expenses	209	208
Debt due from the Province of Manitoba, Note 9	1,826	1,826
Receivables	2,807	2,773
Accrued dividends and interest	16,918	18,976
Total assets	3,324,808	3,997,692
Liabilities		
Accounts payable and accrued liabilities	8,285	5,317
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 13	332,365	330,740
Correctional Officers' Trust Account, Note 10	3,468	4,041
Employer Trust Accounts, Note 11	45,274	53,931
Money Purchase Accounts Plan, Note 12	16,368	16,412
Total liabilities	405,760	410,441
Net assets available for benefits, Exhibit B	\$2,919,048	\$3,587,251



Chairperson of the Board



Chairperson, Finance and Audit
Committee

Exhibit B - The Civil Service Superannuation Fund

Consolidated Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2008

(\$ Thousands)	2008		2007	
	Basic Benefits Account	Indexing Benefits Account	Total	Total
Increase in assets				
Contributions, Schedule 2, Note 1(b)				
Employees	\$89,366	\$9,269	\$98,635	\$92,374
Employers	133,441	550	133,991	122,480
Total contributions	222,807	9,819	232,626	214,854
Net investment income, Schedule 3	260,554	(28,369)	232,185	128,026
Other	77	-	77	74
Total increase in assets	483,438	(18,550)	464,888	342,954
Decrease in assets				
Current period change in fair value of investments, Note 14	847,430	-	847,430	3,366
Pension benefits paid	233,339	17,193	250,532	230,630
Refunds and transfers	33,367	-	33,367	29,692
Administrative expenses, net, Note 15	1,342	-	1,342	1,556
Transfer to employer trust accounts	420	-	420	382
Total decrease in assets	1,115,898	17,193	1,133,091	265,626
(Decrease) increase in net assets	(632,460)	(35,743)	(668,203)	77,328
Net assets available for benefits at beginning of year	3,375,344	211,907	3,587,251	3,509,923
(Decrease) increase in net assets	(632,460)	(35,743)	(668,203)	77,328
Net assets available for benefits at end of year, Exhibit A	\$2,742,884	\$176,164	\$2,919,048	\$3,587,251

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the "Plan") is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the "Act").

(a) General

The Civil Service Superannuation Board (the "Board") and the Civil Service Superannuation Fund (the "Fund") were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, non-matching employers are not billed for the cost of the pension formula improvement implemented in 2000. Matching employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 6 is unfunded.

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation

The lifetime pension calculation equals:

- (i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.
- (ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) Retirement

A member with ten or more years of qualifying service is eligible to retire at age 55.

A member with one or more years of qualifying service is eligible to retire at age 65.

All members must commence pension benefits no later than the last day of the calendar year in which the member attains 69 years of age.

Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

(f) Disability Pensions

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor's Benefits

A survivor's benefit is payable to a spouse or eligible survivor(s) of a member who dies with two or more years of qualifying service.

(h) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds

Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members with two or more years of qualifying service may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan

The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

2. Changes in Accounting Policies

(a) Capital Disclosures

Effective January 1, 2008, the Fund adopted CICA Section 1535 *Capital Disclosures* which establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally-imposed capital requirements to which it is subject and if not, the consequences of such non-compliance. This new section would require additional disclosure in the financial statements. However, non-publicly accountable enterprises are exempt from this disclosure, except to the extent they have externally-imposed capital requirements. Information on these requirements is to be disclosed to enable users of the financial statements to evaluate the effect of these requirements (see Note 3 (f)).

(b) Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, Section 3862 *Financial Instruments - Disclosures* and Section 3863 *Financial Instruments - Presentation*. The new sections are intended to enhance the abilities of users of the financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These new sections, which were effective January 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for non-publicly accountable enterprises, which includes the Fund, to adopt these sections. These entities are permitted to continue to apply Section 3861 *Financial Instruments - Disclosure and Presentation* in place of sections 3862 and 3863.

3. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation

The consolidated financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles. They are prepared to assist participants and others in reviewing the financial activities for the fiscal year.

(b) Investments

Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income

(i) Short-term investments are valued at cost, which approximates market. Short term equivalents are valued at market by independent sources.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity

(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.

(ii) Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.

(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(v) Real estate shares include the value of 19 real estate subsidiaries that have not been accounted for on a consolidated basis, but whose value (\$246,928) is included in the Consolidated Summary of Investments, Schedule 1.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the current period change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$ Thousands)

(e) **Equipment**

Computer equipment costing less than \$15 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

(f) **Capital Disclosures**

In the context of the Fund, capital is defined as the net assets available for pension benefits. Externally-imposed capital requirements relate to the administration of the Fund in accordance with the terms of the Fund, The Pension Benefits Act of the Province of Manitoba and the provisions of the Income Tax Act (Canada). The Fund has developed appropriate risk management strategies, as described in Note 4, to preserve the net assets available for pension benefits. The Fund has complied with externally-imposed capital requirements during the year.

(g) **Disclosure and Presentation of Financial Instruments**

The Fund continues to apply Section 3861 *Financial Instruments – Disclosure and Presentation* in place of sections 3862 and 3863.

4. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk, currency risk, market risk and liquidity risk.

a) **Interest Rate Risk**

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk, and maintain the required liquidity, the Board established an investment asset mix policy of 40% fixed income (2007 - 40%) and 60% equity (2007 - 60%) as at December 31, 2008.

The term to maturity and related market values of fixed income investments are as follows:

Term to Maturity	2008	2007
Less than one year	\$57,614	\$70,174
One to five years	228,381	309,429
Over five years	927,570	883,700
Total fixed income investments	\$1,213,565	\$1,263,303

b) **Credit Risk**

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. For example, 95% of bonds and debentures must be rated single A or higher.

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$) Thousands

c) Currency Risk

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2008 the Fund had entered into forward foreign exchange contracts valued at \$6,639 (2007 - \$Nil) that resulted in unrealized losses on these foreign exchange contracts totalling \$1,463.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. To assist in mitigating the impact of market risk, the Board has established an investment policy that requires

- (i) A minimum of 30% of the assets to be fixed income assets, and
- (ii) Investment diversification across asset classes.

e) Liquidity Risk

Liquidity risk is the risk of being unable to generate sufficient cash, or its equivalent, in a timely and cost-effective manner to meet commitments and obligations as they become due. The Fund mitigates liquidity risk by holding income producing assets and limiting exposure to non-liquid asset classes, as set out above.

5. Investment in Petroleum and Natural Gas

(a) Investment in Petroleum and Natural Gas

The fair value of the Fund's investment in petroleum and natural gas, through its 74.42% (2007 - 74.42%) share in its subsidiary Superman Resources Inc., as at December 31, is as follows:

	2008	2007
Assets		
Cash	\$7,893	\$9,749
Accounts receivable	6,156	6,773
Deposit	-	783
Investment - Wembley Resources Ltd.	1,018	914
Property and equipment	82,045	85,328
	97,112	103,547
Liabilities		
Accounts payable and accrued liabilities	7,376	7,169
Asset retirement obligation	10,154	8,566
	17,530	15,735
Net investment in petroleum and natural gas - cost	79,582	87,812
Market value adjustment	64,910	70,624
Net investment in petroleum and natural gas - fair value, Schedule 1	\$144,492	\$158,436

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$ Thousands)

(b) **Petroleum and Natural Gas Income**

The Fund's petroleum and natural gas income and retained earnings for the year ended December 31, is as follows:

	2008	2007
Revenue		
Oil and gas sales	\$45,497	\$40,674
Less: Royalties net of Alberta Royalty Tax Credits	8,056	7,183
	37,441	33,491
Interest and other income	301	333
Equity in earnings of Wembley Resources Ltd.	316	297
	38,058	34,121
Expenses		
Depreciation and depletion	12,291	12,910
Production	8,892	8,066
Asset administration	2,595	2,375
Provision for bad debts	2,339	-
Accretion	544	663
General and administrative	167	236
Legal and audit	109	68
Directors' expenses	-	24
	26,937	24,342
Net income	11,121	9,779
Retained earnings, beginning of year	1,734	141
Dividends - petroleum and natural gas, Schedule 3	(19,349)	(8,186)
	\$(6,494)	\$1,734

5. **Obligations for Pension Benefits**

(a) **Obligation for pension benefits**

(i) **Basic Benefits Account**

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$ Thousands)

The triennial Actuarial Valuation Report on the Fund was completed as at December 31, 2007 by Ellement and Ellement, consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2008. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

	Basic Benefits Account			
	Fund	Non-Matching Employers	Total	Total
	2008	2008	2008	2007
Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year	2,989,418	\$2,434,256	\$5,423,674	\$5,157,943
Experience loss/(gain)	(191,773)	(176,762)	(368,535)	-
Benefits accrued	109,399	88,277	197,676	186,775
Benefits paid	(133,685)	(119,568)	(253,253)	(231,616)
Interest on accrued benefits	181,058	145,720	326,778	333,809
Change in actuarial reserves	37,996	30,660	68,656	(23,237)
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	\$2,992,413	\$2,402,583	\$5,394,996	\$5,423,674

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. Non-matching employers are not billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report as at December 31, 2007 and the estimate at December 31, 2008 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in the triennial actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$) Thousands

Significant long-term actuarial assumptions used in the December 31, 2007 Valuation and in the determination of the December 31, 2008 present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	2.50%
(ii) real rate of return	<u>4.00%</u>
	<u>6.50%</u>

Annual salary escalation rates	
(i) general increases	
a) inflation component	2.50%
b) productivity component	<u>0.75%</u>
	<u>3.25%</u>

(ii) service, merit and promotional increases *

* the rates used vary by age groupings from a high of 3.0% to a low of 0%

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2007. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2008 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.00%.

Indexing Benefits Account				
	Fund	Non-Matching	Total	Total
	2008	Employers	2008	2007
		2008		
Actuarial present value of accrued indexing pension benefit obligations, beginning of year	\$134,500	\$132,676	\$267,176	\$258,533
Experience loss/(gain)	-	(2,075)	(2,075)	-
Cost-of-living accrual effective July 1	17,944	14,479	32,423	21,546
Benefits paid	(17,193)	(13,873)	(31,066)	(29,105)
Interest on accrued benefits	8,631	8,289	16,920	16,464
Change in actuarial reserves	1,033	834	1,867	(262)
Actuarial present value of accrued indexing pension benefit obligations, end of year	\$144,915	\$140,330	\$285,245	\$267,176

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$) Thousands

(b) Fund's Asset Valuation

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

The actuarial asset values used in the estimate of the Fund's pension obligations were:

	Basic Benefits 2008	Indexing Benefits 2008	Total 2008	Total 2007
Net assets available for benefits, Exhibit B	\$2,742,884	\$176,164	\$2,919,048	\$3,587,251
Amount reserved for future indexing benefits	(145,000)	(12,566)	(157,566)	(162,320)
Adjustment for the actuarial value of assets	274,288	17,616	291,904	(116,056)
Actuarial value of net assets available for benefits	\$2,872,172	\$181,214	\$3,053,386	\$3,308,875

A reserve of \$145,000 is reflected in the adjustment for the actuarial value of assets. This reserve is for the scheduled transfer of the 2004 Basic Benefits surplus, without interest, to the Indexing Benefits Account, subject to legislative approval.

7. Additional Actuarial Information

(a) Total Actuarial Pension Liabilities For The Basic Benefits Account

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2008 have been estimated based on service to date and net future service as follows:

	Fund 2008	Non- Matching Employers 2008	Total 2008	Total 2007
Service to date, Note 6	\$2,992,413	\$2,402,583	\$5,394,996	\$5,423,674
Net future service	61,162	49,353	110,515	229,265
Total actuarial pension liabilities	\$3,053,575	\$2,451,936	\$5,505,511	\$5,652,939

(b) Basic Benefits Actuarial Position (Fund Only)

The Fund had an estimated going concern actuarial deficit of \$181,403 as at December 31, 2008 (2007 - \$5,328 surplus) in the Basic Benefits Account, after including (i) pension benefit obligations for service to date and for future service actuarial liabilities; and (ii) consistent with past years, an adjustment for the actuarial value of assets. In the absence of the adjustment for the actuarial value of assets, the Fund had an estimated going concern actuarial deficit of \$455,691 as at December 31, 2008 (2007 - \$115,027 surplus) in the Basis Benefits Account, after including pension benefit obligations for service to date and for future service actuarial liabilities.

(c) Indexing Benefits Actuarial Surplus (Fund Only)

The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be \$36,299 as at December 31, 2008 (2007 - \$53,730), after including, consistent with past years, an adjustment for the actuarial value of assets. In the absence of the adjustment for the actuarial value of assets, the funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be \$18,683 as at December 31, 2008 (2007 - \$60,087).

8. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund pension obligations.

9. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of \$1,826 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

10. Correctional Officers' Trust Account

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater.

11. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account.

12. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board.

13. The Province of Manitoba Unfunded Pension Liability Trust Account

The Province has established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a trust account with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that are related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce its accrued pension benefit obligations to the Fund.

The Trust Agreement was amended effective December 31, 2008, to make the trust irrevocable. Accordingly, the assets in the Trust Account cannot be used for any purposes other than to fund the payment of pension benefits for which the Province is responsible and to pay the costs and expenses that are directly attributable to the administration of the Trust Account.

In October 2007, The Financial Administration Act was amended to allow for withdrawals from the fund to pay, or fund the payment of, pension benefits for which the Province is responsible.

14. Current Period Change in Fair Value of Investments

	2008	2007
Net realized gain (loss) on the sale of investments	\$(20,228)	\$182,125
Net unrealized market loss	(827,202)	(185,491)
	\$(847,430)	\$(3,366)

15. Administrative Expenses

	2008	2007
Salaries and fringe benefits	\$2,809	\$2,928
Professional fees	176	196
Office and administration	916	1,020
	3,901	4,144
Less: recoveries from other administered funds regular administration	(1,449)	(1,407)
Fund administrative expenses	2,452	2,737
Less: recoveries from non-matching employers	(1,110)	(1,181)
Administrative expenses, net	\$1,342	\$1,556

The Civil Service Superannuation Fund
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008
(\$) Thousands

16. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

	2008	2007
The Manitoba Hydro Pension Fund	\$644,305	\$808,384
Joint Board of Trustees of		
The Municipal Employees Benefits Program	370,585	448,950
The Public Service Group Insurance Fund	108,153	142,259
Workers Compensation Board of Manitoba	79,908	86,820
Centra Gas Manitoba Inc.	58,710	74,165
Winnipeg Child and Family Services		
Employee Benefits Retirement Plan	20,687	27,802
Legislative Assembly Pension Plan	7,338	6,807
	\$1,289,686	\$1,595,187

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

Schedule 1 - The Civil Service Superannuation Fund

Consolidated Summary of Investments as at December 31, 2008

	2008	2007
(\$) Thousands		
Fixed income investments		
Cash and Short-term		
Government and corporations	\$17,019	\$34,985
Bonds and debentures		
Pooled fund	1,161,254	1,190,472
Mortgages		
National Housing Act (Canada)	189	2,079
Other	2,250	1,533
Index-linked	32,853	34,234
Total fixed income investments	1,213,565	1,263,303
Equity investments		
Pooled funds		
Domestic	657,639	963,275
Foreign	876,043	1,175,528
Real estate		
Participating bonds	90,593	85,981
Shares, Note 3(b)(v)	299,232	301,018
Petroleum and natural gas shares, Note 5	144,492	158,436
Venture capital	21,399	26,234
Total equity investments	2,089,398	2,710,472
Investments, Exhibit A	\$3,302,963	\$3,973,775

Schedule 2 - The Civil Service Superannuation Fund

Consolidated Schedule of Contributions

For The Year Ended December 31, 2008

(\$) Thousands	Employers	2008 Employees	Total	2007 Total
Non-Matching Employers, Note 1 (b)				
Province of Manitoba Civil Service	\$88,456	\$45,853	\$134,309	\$125,245
Manitoba Hydro-Electric Board	31,945	21,069	53,014	48,609
Manitoba Public Insurance Corporation	5,466	5,753	11,219	9,524
Liquor Control Commission	2,675	1,464	4,139	3,912
Red River College	11	3,904	3,915	3,764
Addictions Foundation of Manitoba	710	897	1,607	1,466
Community Colleges				
Assiniboine Community College	73	968	1,041	1,098
University College of the North	-	924	924	849
Regional Health Authorities				
Winnipeg	-	821	821	810
Brandon	-	725	725	751
Assiniboine	-	354	354	313
Central	-	309	309	383
Interlake	-	250	250	296
Parkland	-	211	211	252
South Eastman	-	116	116	113
North Eastman	-	85	85	85
Nor-Man	-	81	81	90
Burntwood	-	46	46	43
The Legal Aid Services Society of Manitoba	282	524	806	764
Manitoba Centennial Centre Corporation	272	133	405	404
Teachers' Retirement Allowances Fund Board	247	123	370	212
Communities Economic Development Fund	85	59	144	110
The Council on Post Secondary Education	56	39	95	124
Manitoba Horse Racing Commission	15	13	28	26
Diagnostic Services of Manitoba	-	23	23	11
Workers Compensation Board	15	-	15	15
Total Non-Matching Employers	\$130,308	\$84,744	\$215,052	\$199,269

Schedule 2 - The Civil Service Superannuation Fund

Consolidated Schedule of Contributions

For The Year Ended December 31, 2008

(\$ Thousands)	2008		Total	2007 Total
	Employers	Employees		
Total Non-Matching Employers, continued	\$130,308	\$84,744	\$215,052	\$199,269
Matching Employers, Note 1 (b)				
Manitoba Lotteries Corporation	2,553	2,887	5,440	5,032
Manitoba Housing Authority	639	734	1,373	1,358
Manitoba Agricultural Services Corporation	767	573	1,340	1,270
Manitoba Government and General Employees' Union	295	326	621	597
Civil Service Superannuation Board	235	255	490	489
All Nations Coordinated Response Network	181	212	393	192
Gaming Control Commission	161	181	342	348
Manitoba Hydro Utilities Service	137	159	296	258
Manitoba Crop Insurance Corporation	111	128	239	291
Travel Manitoba	111	124	235	210
Manitoba Floodway Authority	97	104	201	187
National Agri-Food Technology Centre	83	95	178	160
Industrial Technology Centre	77	85	162	156
Dairy Farmers of Manitoba	54	60	114	114
Manitoba Pork Marketing Co-op Inc.	39	44	83	94
Manitoba Pork Council	41	40	81	103
Manitoba Film and Sound	29	32	61	59
Crown Corporations Council	23	25	48	49
Manitoba Chicken Producers	18	19	37	40
Manitoba Arts Council	13	15	28	24
Manitoba Cattle Enhancement Council	11	12	23	18
Manitoba Turkey Producers	7	8	15	13
Manitoba Development Corporation	3	4	7	107
Economic Innovation and Technology Centre	1	1	2	4
Manitoba Hazardous Waste Management Corporation	-	-	-	6
Total Matching Employers	\$5,686	\$6,123	\$11,809	\$11,179
Total Employers, Non-Matching and Matching	\$135,994	\$90,867	\$226,861	\$210,448

Schedule 2 - The Civil Service Superannuation Fund

Consolidated Schedule of Contributions

For The Year Ended December 31, 2008

(\$) Thousands	2008		2007	
	Employers	Employees	Total	Total
Total Employers,				
Non-Matching and Matching, continued	\$135,994	\$90,867	\$226,861	\$210,448
Other				
Employees on loan	1	1	2	3
Employees on workers compensation	-	8	8	2
Reciprocal agreement - transfers in	-	6,000	6,000	5,027
Reciprocal agreement - transfers out	(2,005)	(2,461)	(4,466)	(4,366)
Repayment of contributions previously refunded	-	118	118	78
Contributions based on prior non-pensionable employment	1	2,818	2,819	3,225
Transfer from Money Purchase Accounts Plan	-	1,284	1,284	437
Total Other	\$ (2,003)	\$ 7,768	\$ 5,765	\$ 4,406
Total contributions, Exhibit B	\$133,991	\$98,635	\$232,626	\$214,854

Schedule 3 - The Civil Service Superannuation Fund

Consolidated Schedule of Investment Income For The Year Ended December 31, 2008

(\$) Thousands	2008	2007
Fixed income		
Short term	\$1,719	\$2,425
Bonds and debentures	58,108	55,865
Mortgages	2,576	2,658
Total fixed income	62,403	60,948
Equity income		
Pooled funds	58,806	55,548
Real estate	19,279	15,070
Petroleum and natural gas shares, Note 5	19,349	8,186
Venture capital	27	8,287
Total equity income	97,461	87,091
Gross investment income	159,864	148,039
Less:		
Investment management expenses, net, Note 16	2,152	5,459
Transfer to (from) Province of Manitoba unfunded pension liability trust account	(65,353)	12,030
Transfer to (from) Correctional Officers' trust account	(710)	139
Transfer to (from) Employer trust accounts	(9,019)	1,849
Transfer to Money Purchase Plan accounts	499	442
Transfer to Employee future benefits obligations	110	94
	(72,321)	20,013
Net investment income, Exhibit B	\$232,185	\$128,026





The Civil Service Superannuation Board (CSSB), 2009.

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